

**PUBLIC OVERSIGHT ROUNDTABLE ON  
IMPLEMENTATION OF THE  
RENEWABLE ENERGY INCENTIVE PROGRAM**

**THE HONORABLE COUNCILMEMBER MARY CHEH, CHAIRPERSON  
COMMITTEE ON GOVERNMENT OPERATIONS & THE ENVIRONMENT**



**KEITH A. ANDERSON, INTERIM DIRECTOR  
DISTRICT DEPARTMENT OF THE ENVIRONMENT**

**TUESDAY, MARCH 30, 2010 AT 11:00 A.M.  
THE HISTORIC WILSON BUILDING  
1350 PENNSYLVANIA AVENUE NW, ROOM 412**

Good morning Chairperson Cheh, and members of the Committee on Government Operations and the Environment. My name is Keith A. Anderson, and I am the Interim Director of the District Department of the Environment. I am pleased to appear before the Committee today to discuss DDOE's implementation of the Renewable Energy Incentive Program ("REIP" or "Program").

The District's Renewable Energy Incentive Program has been developed to increase the awareness and the use of on-site renewable energy generation technologies by District residents, businesses, and institutions. The program was established by the Clean and Affordable Energy Act of 2008 ("CAEA"), with the program beginning to accept applications on February 23, 2009. The legislation authorized a total of \$2 million to be made available annually for fiscal years 2009 through 2012, and funds are derived from the Sustainable Energy Trust Fund, an assessment on the natural gas and electric companies.

The REIP provides funding in the form of financial incentives to be used toward the installation of technologies that utilize renewable resources to offset the use of conventional fossil fuels for electricity, heating and cooling. Currently, due to the overwhelming demand for solar photovoltaic (or "PV") installations, the program is solely funding these systems.

My goal in this testimony is to answer some of the questions that have been raised by yourselves and members of the public. The process to make such large incentive payments necessarily involves coordinating and complying with the District's procurement practices, tax policies, and construction permitting process. As the implementation agency, DDOE must work closely with OCFO, OCP, OTR, and DCRA to make the REIP program work, and to refine procedures as issues arise.

We are not alone in facing these challenges. New Jersey is the nation's fastest growing solar market, and is the second largest state behind California for solar installations. New Jersey also has an REIP, but the primary financial incentive responsible for the industry's growth is the Solar Renewable Energy Certificate (SREC) market. By December of 2005, strong demand exhausted the state's rebate through 2008. Rebates were lowered a number of times, projects were put on hold, and installers began reporting layoffs.

In 2007, the New Jersey Board of Public Utilities (BPU) revisited the program and decided to move toward a transparent, market-based REC trading system as the main incentive for photovoltaic installations. Rebates are still used for systems under 10kW, but that program will be phased out by 2012. California and

Connecticut have also moved away from rebates in recent years, favoring market-based approaches for both small- and large-scale installations.

The District's renewable energy incentives were closely modeled on Maryland's residential rebate program, which, like New Jersey and other states, has revised its rebate levels and program characteristics many times since its inception in 2004. Maryland's primary residential rebates are at \$0.25 - \$1.25/Watt to \$10,000 maximum with systems required to be 20kW or less. These numbers are only a fraction of the District's incentives, and are in stark comparison to the District's range of \$1 - \$3/Watt, with a \$33,000 maximum incentive.

In recent years, Maryland has placed an increased emphasis on tax incentives, for example instituting the Clean Energy Production Tax Credit, a sales and use tax exemption for renewable energy equipment, property tax exemptions for solar energy systems, and a variety of local property tax incentives. As a comparison of rebate budgets, for combined solar and geothermal rebates including supplemental, Maryland allocated \$2 million in FY09, and \$5.8 million in FY10.

### **REIP Program Start-up**

In order to assess best practices and lessons learned, during our ramp-up period DDOE conducted research on Maryland's program, as well as programs in other jurisdictions. With this information, DDOE developed the renewable energy

incentive guidelines, requirements and procedures, and created an automated IT system so that interested parties could apply online for the program. On December 15, 2008, DDOE provided information and draft program materials at a kick-off roundtable at which over 100 interested residents, businesses, academic, and other institutions displayed an immense interest in the program.

During the six and a half months in which the program was operational in FY09, there were challenges that required resolution before the REIP could be fully deployed, including for example the question of whether the financial incentive was taxable income. The questions had to be answered in order for District residents, businesses and other interested parties to make informed decisions on whether to participate in the program. In addition, due to declining economic conditions during the third and fourth quarters of FY09, many applicants were unable to get loans to finance their projects and were unable to move forward on their projects. Although the availability of private funds and capital market constraints have eased, many potential program participants continue to experience a variety of economic hardships that continue to impede follow-through after the initial application request. Despite these factors, demand remains strong for PV systems in the District.

## Some Facts & Figures

Let me provide you with some facts and figures: overall, during the first six months of REIP operation during FY09, 348 online prequalification applications were submitted. Of these, before the end of September 2009, 68 applicants completed the full application process and received photovoltaic incentives. DDOE expended a total of \$581,834 from the program, with an approximate average rebate of \$9000, and an approximate average total installation cost of \$27,000. The expenditures of this program, as well as all the other Clean and Affordable Energy programs, are viewable online at DDOE's website [www.greenenergy.dc.gov](http://www.greenenergy.dc.gov) where the quarterly REIP program reports are posted.

At the end of FY09, the unspent REIP program funds were returned to the SETF fund balance, where they remain in FY 2010 as part of the existing \$12.5 million SETF fund balance. As the legislation requires, \$2 million is available in FY10 for incentives. The CAEA made no provision for rollover of unspent funds from specific programs like REIP, so any additional spending over and above the \$2 million specified in the CAEA would require a modification to the legislation.

Turning to FY10, there have been 37 REIP incentives awarded, totaling expenditures of \$388,937, with an approximate average incentive amount of \$10,000. This represents an average yearly combined production of approximately

101,890 kWh a year. There are currently 228 applicants on the DDOE waiting list, which represents approximately \$2,500,000 in rebate requests and a system capacity of 1.06 megawatts. In FY10, 95 waitlisted applicants have successfully completed the pre-qualification review, of which 35 have submitted full applications or components thereof.

### **The REIP Incentive Payment Process**

The REIP operates on a first-come, first-served basis. Prospective applicants must visit DDOE's program website ([www.greenenergy.dc.gov](http://www.greenenergy.dc.gov)), to download the "Guide to Photovoltaic Incentives," then contact an installer to assess their site and system needs. The timeline for completion of the REIP process varies considerably by applicant. At this time, after numerous refinements during our first year of operation, the timeline from completion of a full application to receipt of the incentive payment should be 6-8 weeks. I'd like to now review the REIP process in greater detail:

#### **First, the Pre-Qualification Stage**

To begin the process, an applicant or their installer needs to complete the online pre-qualification form and provide basic information about the installation of the renewable energy generating system. This information includes basic information about the property, the proposed system size and the amount of

incentive requested. This pre-qualification stage follows Maryland's model, and allows for reservations to be made and budgets forecast. The process also allows DDOE to gauge consumer demand for incentives, and to watch market conditions such as the various system sizes being designed for different property types.

DDOE then evaluates the pre-qualification form to ensure accuracy and completeness. If the pre-qualification form is not complete, DDOE contacts the applicant for the remaining information; most often, this is for clarification of the project's proposed system size. For a variety of reasons, DDOE must reach out one-on-one to about three out of four applicants and their contractors to clarify or correct application information. Once it is determined that an applicant qualifies for an incentive, DDOE issues a reservation number and notifies the applicant of the remaining steps and documentation required to complete the full application.

### **Second, the Full Application Stage**

In the full application stage, an applicant needs to submit a full program application, a final contract between the applicant and the installer, a recent Pepco bill for the property, and an IRS Form W-9 necessary for the applicant to be entered as a vendor into the District's procurement system. An applicant has 30 days to provide this information, and extensive one-on-one follow-up is typically required with applicants and their contractors to correct deficiencies in application



packages. After review of the application package is complete, DDOE issues an approval letter to the applicant via email, which includes the amount of the incentive. The applicant has 15 days to return the signed letter of acceptance.

### **Third, the Payment Stage**

Upon receipt of the signed acceptance letter, DDOE enters relevant vendor information into the District procurement system for each applicant and sends the completed package to accounts payable and a check is issued to each applicant.

### **Finally, the Installation Verification Stage**

Within six months of the payment of the financial incentive, DDOE conducts a site visit to confirm that the system installation is complete. DDOE takes pictures of the installed system and completes the DDOE final inspection form. A DCRA inspection is also required before system operation and the applicant must demonstrate final DCRA inspection approval.

System installation after DDOE completes its payment process is also complicated and the timing is highly variable depending on the circumstances of the applicant, the property, and the installer. When applicants are unable to complete verification within six months, they may request another six-month

extension from DDOE. If an applicant ultimately is unable to complete installation, the incentive payment must be returned to the District.

After committing significant time and attention to each and every case DDOE processes, it is our goal to see systems installed and we continue to work with the applicants after payment is made to help ensure completion of the process.

### **Staffing of the program**

Next, I would like to discuss the staffing of the program. From its inception, the program has been staffed by a program manager with the support of several other DDOE staff. We are however, about to augment the staffing of the program, with the selection certificates having already been issued for the hiring of a new Program Coordinator and Program Specialist. Three interviews have been scheduled, and if all goes well with the interview process and background checks, we hope to have the new staff on board as soon as mid-April, or at the latest by Monday, April 26<sup>th</sup>.

In conclusion, DDOE is committed to delivering efficient and reliable programs and services to District residents to help reduce their energy consumption, produce more clean energy, and preserve the environment. I would like to thank you for the opportunity to provide information about the

implementation of this program and I look forward to answering any questions the Committee may have.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 100 101 102 103 104 105 106 107 108 109 110 111 112 113 114 115 116 117 118 119 120 121 122 123 124 125 126 127 128 129 130 131 132 133 134 135 136 137 138 139 140 141 142 143 144 145 146 147 148 149 150 151 152 153 154 155 156 157 158 159 160 161 162 163 164 165 166 167 168 169 170 171 172 173 174 175 176 177 178 179 180 181 182 183 184 185 186 187 188 189 190 191 192 193 194 195 196 197 198 199 200 201 202 203 204 205 206 207 208 209 210 211 212 213 214 215 216 217 218 219 220 221 222 223 224 225 226 227 228 229 230 231 232 233 234 235 236 237 238 239 240 241 242 243 244 245 246 247 248 249 250 251 252 253 254 255 256 257 258 259 260 261 262 263 264 265 266 267 268 269 270 271 272 273 274 275 276 277 278 279 280 281 282 283 284 285 286 287 288 289 290 291 292 293 294 295 296 297 298 299 300 301 302 303 304 305 306 307 308 309 310 311 312 313 314 315 316 317 318 319 320 321 322 323 324 325 326 327 328 329 330 331 332 333 334 335 336 337 338 339 340 341 342 343 344 345 346 347 348 349 350 351 352 353 354 355 356 357 358 359 360 361 362 363 364 365 366 367 368 369 370 371 372 373 374 375 376 377 378 379 380 381 382 383 384 385 386 387 388 389 390 391 392 393 394 395 396 397 398 399 400 401 402 403 404 405 406 407 408 409 410 411 412 413 414 415 416 417 418 419 420 421 422 423 424 425 426 427 428 429 430 431 432 433 434 435 436 437 438 439 440 441 442 443 444 445 446 447 448 449 450 451 452 453 454 455 456 457 458 459 460 461 462 463 464 465 466 467 468 469 470 471 472 473 474 475 476 477 478 479 480 481 482 483 484 485 486 487 488 489 490 491 492 493 494 495 496 497 498 499 500 501 502 503 504 505 506 507 508 509 510 511 512 513 514 515 516 517 518 519 520 521 522 523 524 525 526 527 528 529 530 531 532 533 534 535 536 537 538 539 540 541 542 543 544 545 546 547 548 549 550 551 552 553 554 555 556 557 558 559 560 561 562 563 564 565 566 567 568 569 570 571 572 573 574 575 576 577 578 579 580 581 582 583 584 585 586 587 588 589 590 591 592 593 594 595 596 597 598 599 600 601 602 603 604 605 606 607 608 609 610 611 612 613 614 615 616 617 618 619 620 621 622 623 624 625 626 627 628 629 630 631 632 633 634 635 636 637 638 639 640 641 642 643 644 645 646 647 648 649 650 651 652 653 654 655 656 657 658 659 660 661 662 663 664 665 666 667 668 669 670 671 672 673 674 675 676 677 678 679 680 681 682 683 684 685 686 687 688 689 690 691 692 693 694 695 696 697 698 699 700 701 702 703 704 705 706 707 708 709 710 711 712 713 714 715 716 717 718 719 720 721 722 723 724 725 726 727 728 729 730 731 732 733 734 735 736 737 738 739 740 741 742 743 744 745 746 747 748 749 750 751 752 753 754 755 756 757 758 759 760 761 762 763 764 765 766 767 768 769 770 771 772 773 774 775 776 777 778 779 780 781 782 783 784 785 786 787 788 789 790 791 792 793 794 795 796 797 798 799 800 801 802 803 804 805 806 807 808 809 810 811 812 813 814 815 816 817 818 819 820 821 822 823 824 825 826 827 828 829 830 831 832 833 834 835 836 837 838 839 840 841 842 843 844 845 846 847 848 849 850 851 852 853 854 855 856 857 858 859 860 861 862 863 864 865 866 867 868 869 870 871 872 873 874 875 876 877 878 879 880 881 882 883 884 885 886 887 888 889 890 891 892 893 894 895 896 897 898 899 900 901 902 903 904 905 906 907 908 909 910 911 912 913 914 915 916 917 918 919 920 921 922 923 924 925 926 927 928 929 930 931 932 933 934 935 936 937 938 939 940 941 942 943 944 945 946 947 948 949 950 951 952 953 954 955 956 957 958 959 960 961 962 963 964 965 966 967 968 969 970 971 972 973 974 975 976 977 978 979 980 981 982 983 984 985 986 987 988 989 990 991 992 993 994 995 996 997 998 999 1000